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RULEMAKING ESTABLISHING
ELECTRIC WEATHERIZATION
STANDARDS

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PUBLIC UTILITY COMMISSION
OF TEXAS

COMMENTS OF TEXAS ELECTRIC COOPERATIVES, INC.

Texas Electric Cooperatives, Inc. (TEC) respectfully submits these comments in response to the Public Utility Commission of Texas (Commission) Staff Public Notice of Request for Comments filed in Project No. 51840 on June 9, 2021. TEC is the statewide association of electric cooperatives operating in Texas, representing its members except as their interests may be separately represented.¹

I. Summary of Comments

TEC is fully supportive of new weatherization requirements that make meaningful improvements to reliability during extreme weather events and appreciates Commission Staff's request for information regarding weather emergency conditions.

TEC believes Staff's intent is to use this information to inform the reliability standards under which generation and transmission owners must comply to meet the weatherization requirements of Senate Bill 3 (SB 3), and specifically the newly enacted PURA² §§ 35.0021 and 38.075 under SB 3. Rather than stipulate specific weatherization measures, TEC infers that Staff may instead establish reliability standards based on extreme weather metrics and require market participants to implement measures to prepare to operate under those weather conditions. Because of the constrained timeline by which the Commission must promulgate rules to implement the weatherization provisions of SB 3 (within six months of the effective date of the Act), TEC understands the need for quick identification of the weather emergency conditions and associated reliability standards.

¹ TEC's 75 members include distribution cooperatives that provide retail electric utility service to approximately 4,000,000 consumers in statutorily authorized service areas that encompass more than half of the total area of the state. TEC's G&T members generally acquire generation resources and power supply for their member distribution cooperatives and deliver electricity to them at wholesale.

² Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 11.001-66.016 (PURA).

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At this time, TEC will defer to resource owners and transmission operators regarding particular temperate ranges, wind speeds, inches of rain per hour, and other ambient conditions referenced in the Staff Request for Comments. TEC's comments focus on general recommendations that the Commission may consider as it develops its reliability standards.

TEC offers these comments with the aim of better ensuring that providers of generation and transmission service implement measures that: (1) avoid unintended consequences that could degrade availability and reliability during an extreme weather event; (2) incorporate existing requirements to avoid duplicative or conflicting standards; (3) recognize the diversity of extreme weather conditions that affect utility operations and restoration efforts; and (4) appropriately consider recommendations from experts, including the State's Climatologist.

At a high level, TEC recommends the Commission take a more flexible approach in establishing reliability standards for generation providers, and not attempt to be overly prescriptive in attempting to define discrete weather conditions that can vary widely by region and yield little opportunity for regular testing, improvement, or enforcement. Finally, any establishment of new standards should define how the enforcement will be enacted, who will investigate, and on what timeline. TEC's comments below address Questions 1 and 2 of Staff's Request for Comments.

II. New Reliability Standards and Weatherization Mandates for Generation Providers Should be Designed to Avoid Unintended Consequences

a. Prescriptive reliability standards for providers of generation service may not fully address extreme weather events and could affect generator performance

TEC asks that the Commission consider how any new weatherization mandates interact with reliability. Should the Commission require generators to weatherize to extremely low temperatures, the measures taken to meet this requirement may result in reduced capacity during peak summer periods (because the insulation needed to support operations during an extreme winter scenario may affect hot-weather performance). Additionally, prescriptive standards may result in increased maintenance costs for additional infrastructure, greater disparity between operating season procedures, and added potential points of failure.

As the Commission considers a variety of weather extremes in this rulemaking, TEC recommends that these types of tradeoffs be factored into the development of new reliability

standards and that each weather condition and associated reliability standard not be evaluated in a vacuum. Rather than prescribing a specific set of regional weather phenomena or metrics, the Commission may adopt a more general requirement for generation providers to prepare for extreme weather based on best practices. Other than the threat that hurricanes pose to coastal areas of the system, the most challenging weather conditions for power system operations are likely to take the form of a combination of wind, precipitation, icing, and low temperatures, which may not be captured by a requirement to prepare for a discrete set of weather characteristics, such as that listed in the Staff's Request for Comment.

Further, TEC's members operate in every corner of the state in settings with a profound diversity of geography and extreme weather conditions. Developing standards that reflect every permutation or combination of these conditions by region is not a practical exercise in this rulemaking. Adoption of a more generalized approach would avoid the creation of standards for generation service that fail to address extreme weather because they are too specific and that create implementation conflicts from one season to the next.

b. Consider cost-effectiveness of new reliability standards and impacts to resource adequacy

Prescriptive new weatherization mandates will come at a cost to resource owners if providers are required to retrofit facilities. TEC assumes that providers of transmission service will be able to recover these costs through a transmission cost of service or other cost recovery proceeding. Because transmission service is subject to rate regulation by the Commission, more prescriptive standards applicable to transmission providers may be appropriate. However, for electric cooperatives and other generation providers that compete in the ERCOT wholesale market, any additional costs will be incorporated into the economics of the resource or the entity as a whole based on its tolerance for additional capital expenditure.

Should market conditions result in variable operating margins below annual fixed operating costs, dispatchable generation may not have the opportunity to recover additional regulatory compliance costs related to weatherization mandates. If the rule requires measures that place upward pressure on operating costs, generation providers that operate marginally economic units

may therefore have to retire or mothball these units if the costs cannot be reasonably recovered.³ Older resources subject to compliance requirements that are significantly more costly or complicated than that of resources with newer vintages would be especially vulnerable to these new costs.

Because of the excessive market dislocation seen during the February event, and because electric cooperatives are generally risk averse, TEC expects its members may make certain weatherization investments regardless of any new mandates. However, while electric cooperatives support needed weatherization reforms as established in SB 3, TEC asks that cost effectiveness of weatherization requirements and the potential for premature exit of resources from the market be factors considered in this rulemaking. Some flexibility to allow generation providers to determine optimal measures based on cost may avoid the early retirement of dispatchable resources, which could worsen reliability during extreme weather events.

III. New Reliability Standards Should be Harmonized with Other New Requirements and Existing Requirements

a. In developing reliability standards for generation providers, evaluate other new requirements created by SB 3

TEC recommends the Commission consider the interaction of weatherization mandates with the new Ancillary Service (AS) products prescribed by PURA § 39.159, which directs the Commission to establish “. . . requirements to meet the reliability needs of the power region.”⁴ In doing so, the Commission must procure AS or “reliability services” from dispatchable resources “. . . to ensure appropriate reliability during extreme heat and extreme cold weather conditions . . .”⁵ Qualifying capabilities must include, among other capabilities, on-site fuel storage, dual fuel capability, or fuel supply arrangements to enable winter performance for multiple days, and summer capabilities include facilities or procedures to operate during drought conditions.

Similarly, under PURA § 35.0021 (and as promulgated in this rulemaking), the Commission must require generators to implement measures based on reliability standards that “.

³ See FitchRatings, Texas Public Power and Electric Cooperative Utilities Recovery from Winter Storm at 5 (June, 8 2021).

⁴ PURA § 39.159(b)(1).

⁵ PURA § 39.159(b)(2), (3).

. . . prepare the provider's generation assets to provide adequate electric generation service during a weather emergency . . .”⁶ The Commission should clarify whether the provision of reliability services or AS products defined in PURA § 39.159 may constitute compliance with the reliability standards developed for weatherization of generation facilities as required in PURA § 35.0021.

b. Incorporate existing and new NERC and NESC requirements applicable to transmission providers and generation providers

Providers of generation and transmission service must already comply with a variety of standards related to temperature, icing, wind, and other weather variables. From a compliance perspective, adhering to multiple potentially conflicting sets of requirements creates challenges. Multiple conflicting standards would significantly increase procedural complexity, resulting in overall decreased procedural adherence. As a result, conflicting requirements for preparation and performance during extreme weather events may unintentionally increase reliability risk.

In particular, transmission providers must already comply with the specifications set forth by the National Electric Safety Code (NESC), and electric cooperatives that are federal borrowers must also observe the standards of the Rural Utility Service (RUS) under the US Department of Agriculture. These standards include loading and load factors reflecting temperature, wind, and ice loads imposed on the transmission line based on geographical considerations. In determining design specifications, RUS and NESC recommend the designer incorporate local meteorological conditions.⁷ Should the Commission adopt measures for transmission providers that are tied to specific weather conditions such as wind speed, TEC asks they not differ substantially from or conflict with the best practices embodied in the NESC standards.

TEC additionally notes that the North American Electric Reliability Corporation (NERC) is in the final stages of adopting a new Cold Weather Standard. Final Board approval is anticipated this month, and if adopted and approved by FERC, generation providers will be required to maintain one or more cold weather preparedness plan(s) for each unit. The plan would include freeze protection measures based on geography and plant configuration and annual inspections of freeze protection measures. Each generation owner would maintain extensive cold weather data

⁶ PURA § 39.0021(b).

⁷ RUS Design Manual for High Voltage Transmission Lines at 11-1 – 11-20 (Dec. 2, 2015). Available at: https://www.rd.usda.gov/sites/default/files/UEP_Bulletin_1724E-200.pdf

and document that its plan was implemented and maintained. Each owner would additionally conduct training for its personnel to implement the cold weather plan and document evidence that the training was completed. The standard also proposes requirements for Transmission Operators to mitigate emergencies, including processes to determine the reliability impacts of extreme weather conditions.⁸

TEC advises the Commission adopt reliability standards that mirror this enforceable and binding NERC standard. Because NERC allows each generation provider to determine optimal freeze protection measures based on best practices, institutes an inspection regime, and requires generators to document compliance with each freeze protection plan, TEC believes this framework could be emulated by the Commission in this rulemaking and meet the requirements of SB 3. The flexibility provided by the NERC approach would allow generation providers to incorporate regional differences into their weatherization plans, and the plans would provide a roadmap for ERCOT to use during its inspections.

In addition to adopting standards that align with existing standards, TEC further encourages the Commission to designate the organization that will be responsible for enforcement of any resulting standards in accordance with SB 3; establish the qualifications of individuals charged with enforcement; establish the scope of documents required in weatherization planning; and establish a schedule of penalties for non-compliance.

IV. Consult With Experts in Developing Weather-Based Reliability Standards for Generation and Transmission Providers

PURA § 35.0021, which requires generation providers implement measures to prepare to operate during a weather emergency, and PURA § 38.075, which applies to transmission providers, both require that the Commission consult with the Office of the State Climatologist in developing weather-based reliability standards. TEC looks forward to the Climatologist's insights into how the diversity of weather events across the state, changing weather patterns, and future trends may inform this rulemaking. Additionally, although TEC recommends the Commission take a more generalized and adaptable approach in adopting standards for generation service, should the Commission seek to define specific weather criteria by region, TEC believes consulting

⁸ NERC Reliability Standard EOP-011-2 (Emergency Preparedness and Operations), Final Draft at 2-6 (May 2021).

independent experts on appropriate reliability standards and weatherization requirements could create a better final product in this rulemaking.

V. Conclusion

TEC reiterates its support for Commission Staff's efforts in this rulemaking. The implementation of weatherization measures throughout the gas-electric supply chain will create a more resilient system that is better able to withstand weather emergencies. As described in these comments, TEC asks that any new reliability standards take into consideration the potential impact on resource economics and the challenges created by compliance with multiple sets of weather-related standards. TEC believes a flexible approach that allows generation providers to apply best practices for their geography and climate may avoid unintended consequences while achieving the weatherization improvements mandated by SB 3. TEC will evaluate proposals made by other parties and is available to provide any additional information that may be helpful to the Commission.

Dated: June 23, 2021

Respectfully submitted,

A handwritten signature in black ink, reading "Julia Harvey", written over a horizontal line.

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